



ECONOMIC INDICATORS

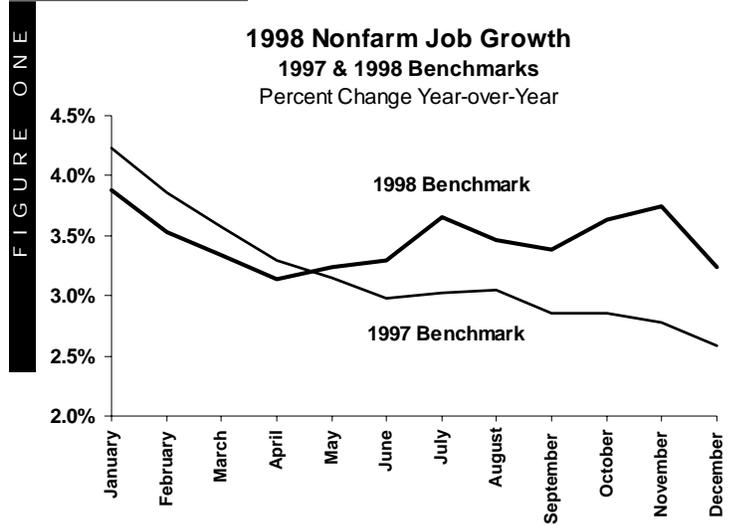
MARCH-APRIL 1999

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

California's economy began 1999 on a solid footing. New employment figures for 1998 indicate the state ended the year on a much stronger note than was previously reported. Payroll employment continues to grow in 1999, and real estate and construction activity made dramatic increases in January and February.

EMPLOYMENT

The California Employment Development Department annually revises its nonfarm employment data by calibrating its monthly Current Employment Statistics survey data with actual payroll tax information. The 1998 employment data was revised based on payroll tax reports for January through June of 1998. The overall 1998 annual average employment level is virtually identical in the new and old series. The overall growth rate was changed slightly from the original 3.2 percent to 3.5 percent, reflecting a small downward revision in 1997 data.



REVISED EMPLOYMENT DATA RELEASED

However, a much different trend emerges from the revised data. The new figures show significantly stronger employment gains during the last seven months of the year than initially reported. The year-over-year nonfarm job growth for June through December was revised up from 3.1 percent to 3.8 percent. The growth rate for the first five months was reduced from 3.6 percent to 3.4 percent. The second half strength is confirmed by third quarter 1998 payroll tax data, which

FIGURE TWO

1998 California Nonfarm Employment - 1997 vs. 1998 Benchmarks

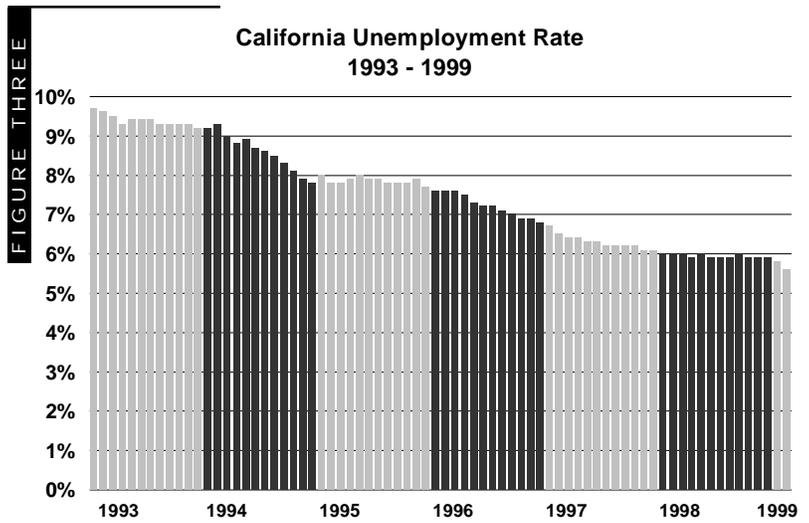
	Employment			Growth 1997-98	
	1997 Benchmark	1998 Benchmark	Change	1997 Benchmark	1998 Benchmark
Total Nonfarm	13,585,317	13,584,100	-1,217	3.2%	3.5%
Mining	28,508	25,400	-3,108	-3.0%	-12.4%
Construction	605,500	601,500	-4,000	9.3%	9.4%
Manufacturing	1,941,950	1,960,300	18,350	1.4%	2.4%
Durable Goods	1,203,217	1,230,900	27,683	1.4%	3.4%
Nondurable Goods	738,733	729,400	-9,333	1.5%	0.8%
Transportation & Public Utilities	680,442	694,000	13,558	2.7%	4.6%
Trade	3,129,858	3,121,900	-7,958	2.4%	2.4%
Wholesale Trade	801,050	800,800	-250	3.4%	3.4%
Retail Trade	2,328,808	2,321,200	-7,608	2.0%	2.1%
Finance, Insurance & Real Estate	781,075	798,000	16,925	3.4%	5.2%
Services	4,233,650	4,219,500	-14,150	4.5%	4.8%
Government	2,184,333	2,163,600	-20,733	1.9%	1.1%

INSIDE

- Foreign Trade 3
- Economic Indicator Tables 7
- Economic Indicator Charts ... 10
- Chronology 14

indicate that employment was 45,000 higher than even the upwardly revised survey data.

Most notably, the original unrevised data indicated a steady reduction in the nonfarm job growth rate throughout 1998 instead of the more stable pattern seen in the new figures. With a downward trend no longer in evidence, the revised data have positive implications for the state's near-term economic outlook.



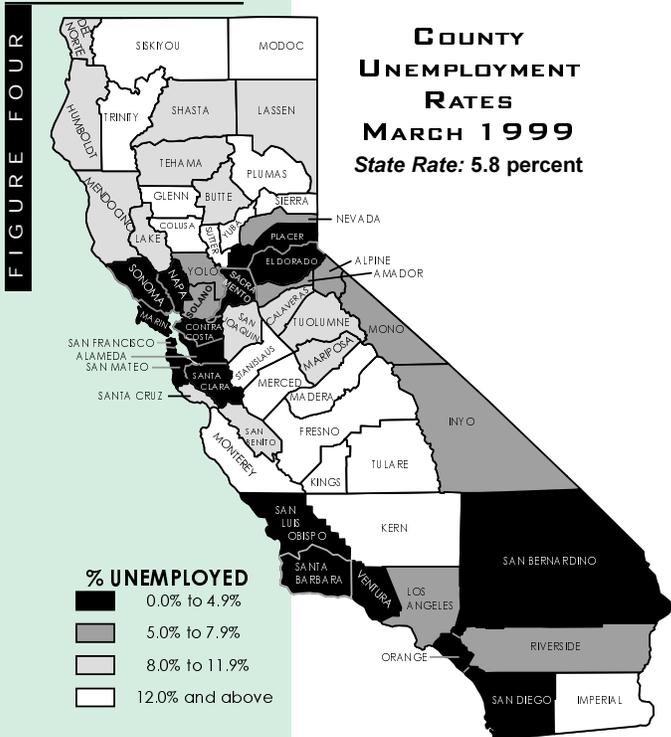
EMPLOYMENT AT RECORD LEVEL

Based on the new employment series, nonfarm employment grew by 45,000 jobs in January, 5,900 in February, and 18,100 in March. At 13,851,900 jobs, March was the 35th consecutive month of record high payroll employment in California. Job gains were reported in four industry sectors in March; transportation and public utilities, trade, services and government. The largest increase was in services which added 12,600 jobs. Employment declined in all other sectors with the greatest decline in manufacturing which lost 3,300 jobs.

On a year-over-year basis, nonfarm payroll employment in March increased 3.0 percent, or by 403,100 jobs. Construction, transportation and public utilities, trade, finance, insurance, and real estate, services, and government all added jobs. Services grew the most—expanding by 208,000 jobs or 5.0 percent. Business services—which includes temporary help services, software and computer programming—contributed 83,200 jobs or 40 percent of this growth. The only service industry to lose jobs over the year was motion pictures—losing 3,800 jobs. Manufacturing and mining were the only major industry sectors to lose ground. Manufacturing suffered the greatest loss—8,200 jobs.

NONFARM EMPLOYMENT INCREASED 3.0 PERCENT

The state's unemployment rate has been lower in each of the first three months of 1999 than during anytime in 1998. The rate in December 1998 was 5.9 percent which was followed by January's 5.8 percent, February's 5.6 percent and then March's 5.8 percent. March's increase is largely attributable to a growth in the labor force. February's was California's lowest unemployment rate since August, 1990. During 1998, the state's unemployment rate wavered between 5.9 and 6.0 percent. Between January and March of 1999 the number of people employed increased by 116,000, the number without jobs declined by 18,000 and the labor force grew by 98,000 persons.



CONSTRUCTION AND REAL ESTATE

Construction and real estate activity got off to a roaring start in 1999. The year-over-year increase in the value of new construction jumped 22.9 percent to \$41.3 billion in January and 30.0 percent in February, totaling \$40.0 billion at a seasonally adjusted annual rate. Nonresidential construction value rose 3.7 percent in January and 30.7 percent in February. February's nonresidential jump was partly the result of weaker than average construction activity in February 1998.

Residential construction value soared 38.0 percent in January and 29.6 percent in February. A significant part of January's jump was

DRAMATIC RESIDENTIAL CONSTRUCTION GROWTH

due to the permitting of a large apartment complex in San Diego County. However, even without San Diego's contribution, the statewide residential growth rate still would have been about 34 percent. The number of new housing units authorized in January jumped 42.3 percent, and February was up 22.2 percent from one year earlier. Owing to the San Diego apartment project, January's multiple unit construction—50,234 units at a seasonally adjusted annual rate (SAAR)—was more than twice as high as the January 1998 rate. Single family construction was up more than 20 percent over January and February 1998 figures.

Regionally the greatest residential construction growth took place in Southern California, with large increases recorded in Los Angeles, Orange and San Diego counties. All other regions—including the Central Coast—posted residential construction gains as well.

Permitted Residential Units

Seasonally Adjusted, Annual Rate

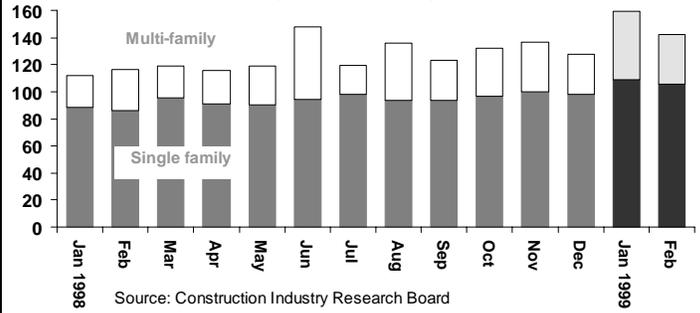
	January	February
Single family	108,936	105,434
Multi-family	<u>50,234</u>	<u>36,585</u>
Total	159,171	142,018

Existing home sales continue at a near-record pace. January's existing home sales rate—652,700 units at a seasonally adjusted annual rate—was 13.1 percent above a year earlier. Sales in February were little changed at a 646,710 unit pace. The median price of single-family homes in California rose moderately over the past year, increasing by 6.2 in January and 6.8 percent in February over year-earlier readings. January's median price reached \$202,370 and then retreated slightly in February to \$199,160.

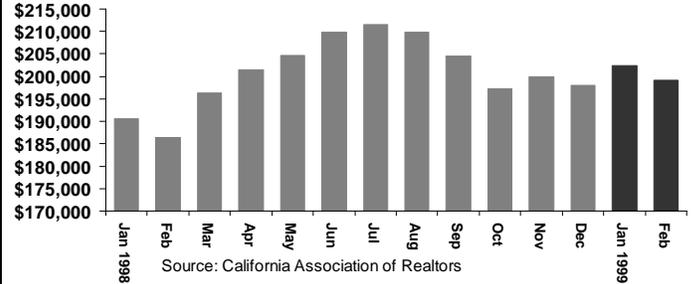
HOME SALES & PRICES RISING MODESTLY

FIGURE FIVE

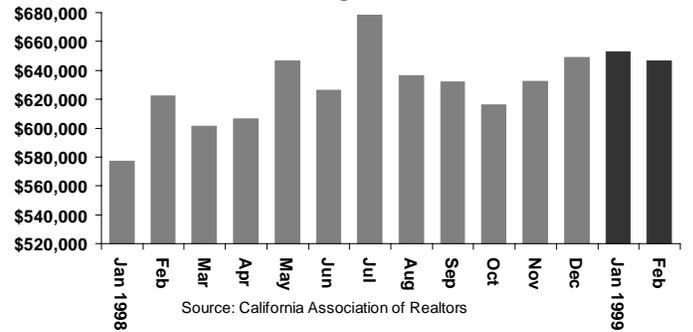
Residential Construction Permits
1,000s of Units, SAAR



Median Home Price



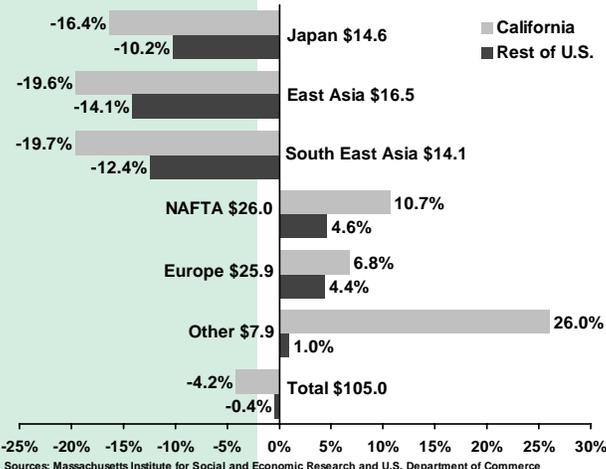
Existing Home Sales



Made-In-California and Rest of U.S. Exports

Percentage Change, 1997 to 1998

Note: 1998 California dollar volumes in billions are shown beside region names.



CALIFORNIA FOREIGN TRADE IN 1998

Last year was a remarkable one for California-based exporters. They faced deep recessions in major Asian markets—including Japan, Korea, Indonesia, Thailand, and Malaysia—low commodity prices that curtailed Canadian purchases, and an appreciating U.S. dollar. U.S. exports became much more expensive in world markets at the same time that California's principal markets were in recession or growing slowly. Moreover, the majority of California exports is in the high technology sector, where pricing pressures were especially severe.

Despite all of this, exports of made-in-California goods fell by only 4 percent in 1998. California exports to NAFTA, Europe and other countries grew in 1998, which offset much of the losses to Asia. Japan still receives the most California-made exports, but Mexico and Canada were not far behind in 1998.

CALIFORNIA PORTS DATA

There are several types of foreign trade data for states and regions. The more familiar data track shipments—exports and imports—through the state's three customs districts (Los Angeles, San Diego, which includes Yuma, AZ, and San Francisco, which includes Reno). The other two data sets are limited to exports. A relatively new set of data tracks the origin of manufacture by state. The origin of manufacture data is most important to the state's overall economy, but the port data are of interest in the transportation and wholesale trade industries, and are the only source of import figures (although information is not available on the final destination of imports within the United States). A third series that tracks exports by origin of shipment is flawed because it reflects wholesaler and distributor activity, and includes such anomalies the export of citrus from Washington State or even Michigan, where fresh produce shipments are often assembled for transport to Canada. All three series are limited to goods only, excluding such California specialties as motion pictures, records and computer software.

TRADE THROUGH CALIFORNIA PORTS

EXPORTS THROUGH CALIFORNIA PORTS

California port activity—regardless of state of origin—is dominated by Asia. Nearly three-quarters of the total value of exported goods moving via California ports is destined for Asia, while less than one-sixth of exports from the rest of the U.S. move across the Pacific. Figure 8 below demonstrates how turmoil in Asia has affected California exports more than those of the other 49 states. California and

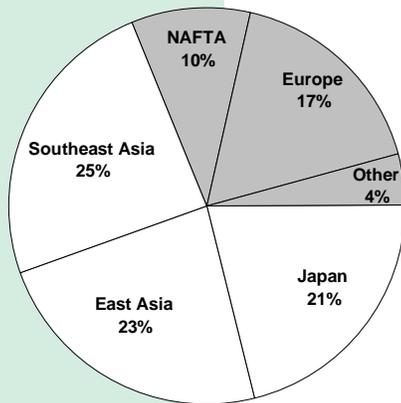
other U.S. exports to non-Asian destinations, particularly NAFTA, grew relatively steadily during the 90s. Those to Asia grew through 1997, but fell in 1998. Because Asia represents a larger share for California, total exports through the state's ports fell in 1998.

Overall, while California ports account for 17 percent of total U.S. exports, the state moves nearly 45 percent of the nation's exports to Asia. By contrast, only 5 percent of NAFTA exports pass through California customs districts, 12 percent of shipments to Europe and 5 percent of goods bound for other countries.

The composition of exports for California ports and for the rest of the U.S. is shown in Figure 10. High technology goods make up two-thirds of California exports, but 57 percent of non-California U.S. exports. The most dramatic contrasts are seen in the composition of these high technology sectors. For California, electronic goods make up 58 percent of the computers and industrial machinery sector, but only 34 percent for ports outside California.

FIGURE SEVEN

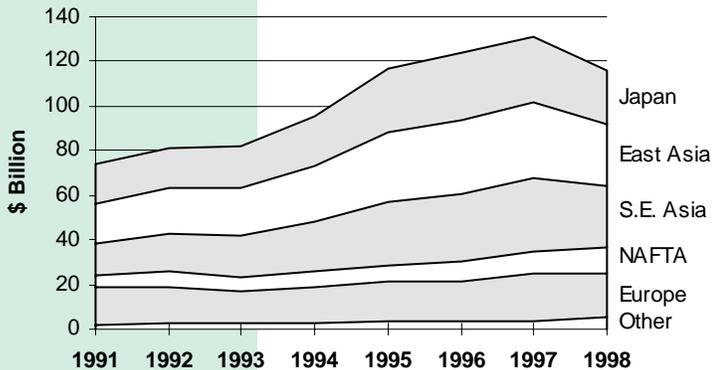
Regional Destinations of Goods Exports Leaving California Ports, 1998



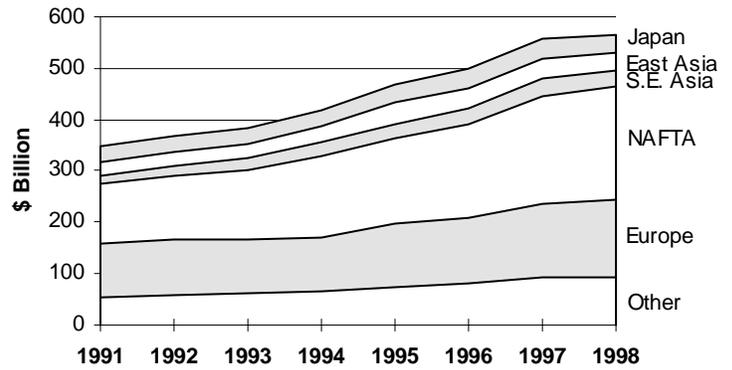
Source: U.S. Department of Commerce

FIGURE EIGHT

Regional Destinations of California Exports, 1991 to 1998

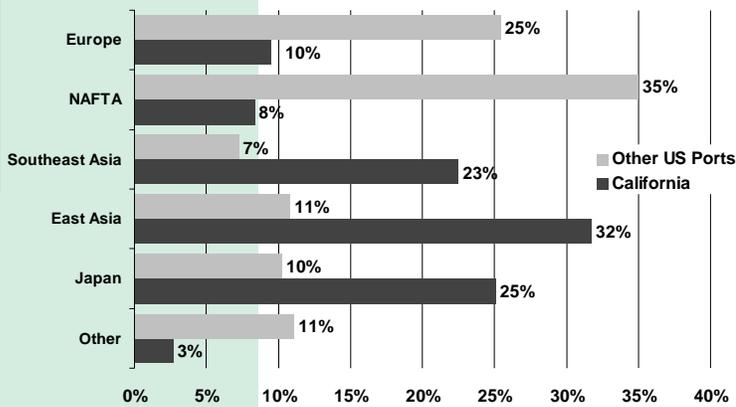


Non-California U.S. Exports to Regions, 1991-98



Source: U.S. Department of Commerce

Sources of Goods Imports Entering California and U.S. Ports, 1998

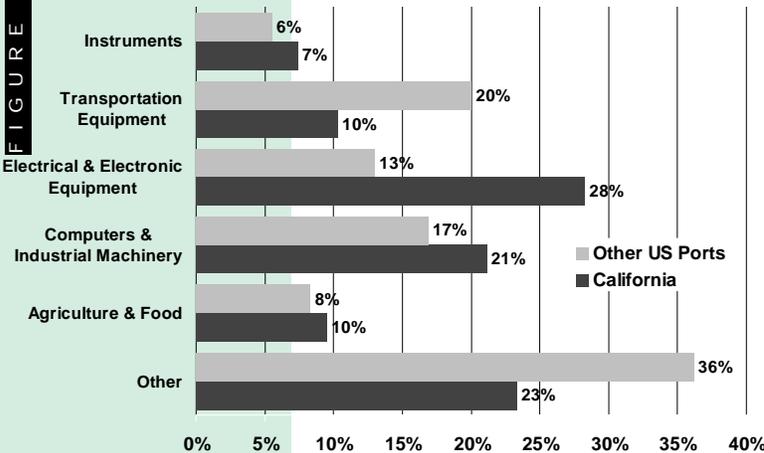


For electrical and electronic equipment, electronics make up 85 percent of exports for California ports, but 70 percent for the rest of the nation. For transportation equipment, aerospace supplies two thirds of California exports, and 40 percent of the rest of the nation's. Instruments are 63 percent electronics and aerospace for California, compared to only 47 percent for the nation.

IMPORTS THROUGH CALIFORNIA PORTS

Imports are even more highly concentrated on Asia than are exports. Fully 79 percent of imports entering California ports come from Asia, leaving very small shares for NAFTA, Europe and the rest of the world. In contrast, NAFTA and Europe dominate the other U.S. ports (Figure 9).

Composition of Goods Exports from California and Other U.S. Ports 1998



Even more than for exports, California ports dominate U.S. imports. Fully one-fifth of all goods arriving from other countries enter via the three customs districts in California, and over 40 percent of those from Asia arrive in California.

The composition of imports is similar to that of exports, but with some important differences. The four high technology industry groups that dominate exports through California also dominate imports. In 1998, these industries made up 67 percent of exports and 66 percent of imports. However, the other one-third of exports was mainly agriculture and food, but the farm sector is not an important factor in imports. For outbound shipments, the "all other" category—mainly apparel, chemicals, plastics and metals—makes up most of the remaining one-third of imports.

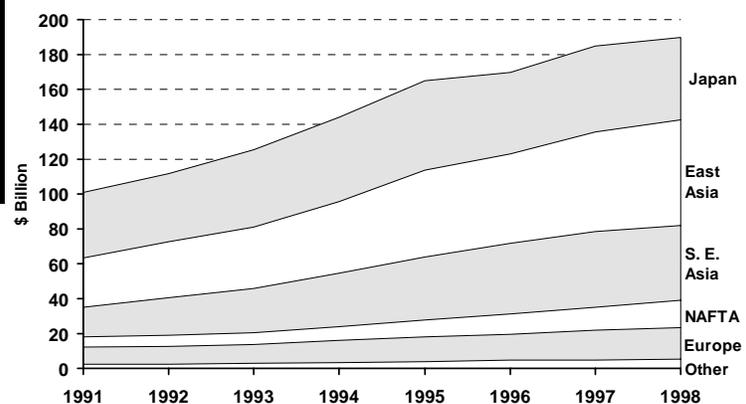
The differences between exports and imports is most evident within the four high technology manufacturing sectors. Imports of computers to California make up 22 percent of all imports through the state, and over one-half of U.S. computer imports. Electronic components make up 13 percent of California imports and just under one-half of U.S. figures.

The growth of imports to California has been quite steady throughout the 90s, and 1998 appeared to continue this trend, both for Asian imports and those from other parts of the world (Figure 11).

MADE IN CALIFORNIA EXPORTS

Over the last three years, exports to Mexico have almost doubled, far exceeding those to any other major destination. Mexico's currency crisis that came soon after the implementation of the North American Free Trade Agreement (NAFTA) between the U.S., Canada and Mexico led to major economic dislocation in our southern neighbor. However, since then, the Mexican economy has taken off. Economic growth has been broad and deep. Of course, it has tended to be concentrated in Mexico's major population centers and along its border with the

Regional Distribution of California Imports, 1991 to 1998



Source: U.S. Department of Commerce

Top 25 Destinations for Made-in-California Exports

Country Name	1998 Exports	Annual Percent Change		Two Year % Change 96 to 98
		96 to 97	97 to 98	
1 Japan	14,601,672,291	-7.5%	-16.4%	-22.7%
2 Mexico	13,343,867,593	33.0%	10.4%	46.8%
3 Canada	12,672,747,323	6.1%	10.9%	17.7%
4 Taiwan	5,925,743,907	24.6%	-15.2%	5.6%
5 United Kingdom	5,756,018,378	6.7%	6.3%	13.5%
6 Singapore	4,722,810,344	-4.2%	-16.8%	-20.3%
7 Germany	4,699,700,077	-0.6%	14.4%	13.7%
8 Korea	4,412,730,425	-17.9%	-37.4%	-48.6%
9 Netherlands	3,893,493,783	42.4%	14.1%	62.6%
10 Hong Kong	3,620,283,391	14.7%	-12.8%	0.0%
11 Australia	2,646,995,836	18.3%	7.7%	27.5%
12 China	2,499,367,350	19.5%	9.3%	30.6%
13 France	2,457,125,246	3.9%	-0.5%	3.4%
14 Malaysia	2,399,325,786	-5.9%	-19.9%	-24.6%
15 Saudi Arabia	1,659,219,565	214.9%	126.1%	612.0%
16 Philippines	1,484,514,024	0.1%	-25.8%	-25.7%
17 Brazil	1,316,449,251	-3.7%	8.2%	4.2%
18 Belgium	1,315,674,260	5.5%	15.2%	21.6%
19 Thailand	1,273,663,640	1.1%	-43.4%	-42.8%
20 Italy	1,271,634,368	5.1%	6.1%	11.6%
21 Switzerland	1,153,254,859	6.0%	-15.1%	-10.0%
22 Ireland	1,059,114,405	12.9%	34.2%	51.6%
23 Sweden	767,485,258	-23.6%	-3.9%	-26.6%
24 Spain	740,183,419	-3.4%	8.7%	5.0%
25 Israel	725,799,309	10.1%	5.5%	16.2%
Rest of World	8,549,102,083	18.8%	-1.8%	16.7%
California Totals	104,967,976,171	6.1%	-4.2%	1.7%

Source: Massachusetts Institute for Social and Economic Research

U.S. Most population centers are in Central and Eastern Mexico and along the Texas border.

In the fourth quarter of 1998, exports to Mexico fell slightly, and growth in 1998 was much less than growth in 1995, 1996 or 1997. Mexico competes for investment with Southeast and East Asia. With all major Asian countries experiencing slower growth or outright recession, combined with the devaluation of most Asian currencies, Mexico may find it difficult to continue the recent rapid growth, at least in the near future.

Figure 13 shows the importance of markets, by region. Asian destinations, while much smaller shares than in past years, account for over 40 percent of California exports. NAFTA partners Canada and Mexico now absorb one-quarter, as does Europe.

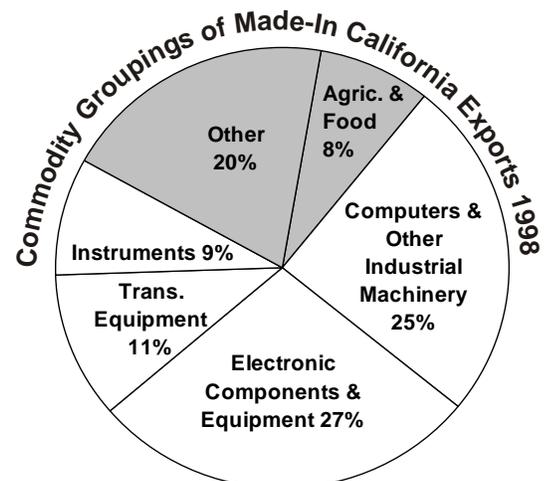
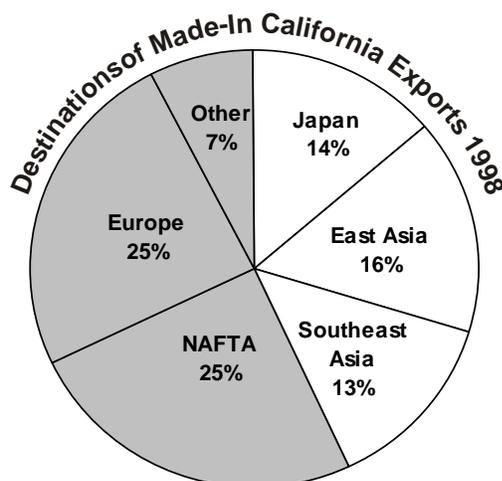
Figure 13 shows the importance of markets, by region. Asian destinations, while much smaller shares than in past years, account for over 40 percent of California exports. NAFTA partners Canada and Mexico now absorb one-quarter, as does Europe.

The four high technology industry groups—machinery (including computers), non-electrical machinery, transportation equipment, and instruments—make up close to three-quarters of California exports, with electronic components and computers making up well over half of total exports.

components and computers making up well over half of total exports.

Falling computer and electronic components prices probably distorted California's overall export performance last year. The figures discussed here are all in 'current dollar' or 'nominal' terms, i.e., no provision for price changes was made. According to the U.S. Bureau of Labor Statistics, prices of exported electronic components fell 12 percent in 1998, while computer prices were down 7 percent. Thus, adjusting for inflation—actually, deflation in this case—suggests a 'real' or price-corrected export performance of 2 percent growth, rather than the 4 percent decline reported in nominal terms.

Careful analysis of the economies of California's major export destinations suggest that exports will remain sluggish this year. However, given the severe turn of events in California's major markets in 1998, even last year's results were remarkably good.



**SELECT
INDICATORS**

ECONOMIC INDICATOR TABLES

	1999			1998		Yr-Over-Yr	
	Mar	Feb	Jan	Dec	Mar	% Change	
EMPLOYMENT	EMPLOYMENT (Seasonally Adjusted)						
— . . . —	Civilian employment (000)	15,569	15,522	15,509	15,453	15,281	1.9
	Unemployment (000)	950	926	948	968	967	-1.8
	Unemployment rate	5.8	5.6	5.8	5.9	6.0	--
	Nonagricultural wage and salary employment (000)	13,851.9	13,833.8	13,827.9	13,782.9	13,448.8	3.0
	Mining	23.9	24.1	24.7	24.6	26.2	-8.8
	Construction	631.9	632.1	641.7	627.1	583.1	8.4
	Manufacturing	1,949.6	1,952.9	1,959.0	1,959.5	1,957.8	-0.4
	High technology a/	518.5	520.3	522.1	524.1	537.8	-3.6
	Aircraft and parts	84.6	85.6	86.4	87.2	88.5	-4.4
	Missiles and space vehicles	23.2	23.5	23.6	24.0	25.7	-9.7
	Search and navigation equipment	55.5	55.9	56.2	56.5	57.4	-3.3
	Computer and office equipment	91.2	91.4	91.3	91.9	95.9	-4.9
	Communications equipment	36.4	36.6	36.7	36.9	36.9	-1.4
	Electronic components	157.1	156.7	156.9	156.5	162.6	-3.4
	Measuring and controlling devices	70.5	70.6	71.0	71.1	70.8	-0.4
	Transportation and public utilities	708.4	706.9	705.6	701.8	690.7	2.6
	Trade	3,158.0	3,153.5	3,154.9	3,158.5	3,096.7	2.0
	Finance, insurance and real estate	808.0	808.7	809.1	808.2	788.4	2.5
	Services	4,364.6	4,352.0	4,334.1	4,304.2	4,156.6	5.0
	Government	2,207.5	2,203.6	2,198.8	2,199.0	2,149.3	2.7
HOURS & EARNINGS	HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
— . . . —	Average weekly hours	41.9	41.6	41.9	42.5	41.8	0.2
	Average weekly earnings	\$581.99	\$576.99	\$581.99	\$591.18	\$566.39	2.8
	Average hourly earnings	\$13.89	\$13.87	\$13.89	\$13.91	\$13.55	2.5
CONSUMER PRICES	CONSUMER PRICE INDEX (1982-84=100) Not seasonally adjusted						
— . . . —	All Urban Consumers Series						
	California Average	n.a.	166.5	n.a.	165.1	n.a.	--
	San Francisco CMSA	n.a.	169.4	n.a.	167.4	n.a.	--
	Los Angeles CMSA	165	164.6	164.2	163.5	161.4	2.2
	Urban Wage Earners and Clerical Workers Series						
	California Average	n.a.	160.2	n.a.	159.0	n.a.	--
	San Francisco CMSA	n.a.	165.7	n.a.	163.7	n.a.	--
	Los Angeles CMSA	158.3	158.1	157.8	157.2	155.1	2.1
CONSTRUCTION	1999			1998		Yr-Over-Yr	
— . . . —	CONSTRUCTION	Feb	Jan	Dec	Nov	Feb	% Change
	Private residential housing units authorized (000) b/	142.0	159.2	127.7	136.3	116.2	22.2
	Single units	105.4	108.9	97.8	100.1	85.8	22.9
	Multiple units	36.6	50.2	29.9	36.3	30.4	20.5
	Residential building authorized valuation (millions) c/	\$2,102	\$2,167	\$2,037	\$2,021	\$1,623	29.6
	Nonresidential building authorized valuation (millions) c/	\$1,311	\$1,276	\$1,301	\$1,198	\$1,003	30.7
	Nonresidential building authorized valuation (millions) d/	\$1,088	\$1,043	\$1,065	\$1,021	\$837	30.0
	Commercial	360	293	384	340	282	27.8
	Industrial	148	169	142	174	100	47.9
	Other	171	172	148	157	62	176.5
	Alterations and additions	409	409	392	350	393	4.0
AUTO SALES	AUTO SALES (Seasonally adjusted)						
— . . . —	New auto registrations (number)	128,279	130,926	124,812	121,052	113,390	13.1

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

n.a. Not available

SELECT INDICATORS (CONTINUED)

VACANCY RATES

Vacancy Rates for December 1998

(Percent)

	Office			Industrial *
	Total	Downtown	Suburban	
Northern and Central California:				
Fresno	14.2	29.7	11.3	10.9
Oakland-East Bay	8.5	13.6	7.1	--
Sacramento	9.5	7.5	10.2	5.3
San Francisco	4.6	3.5	5.9	4.0
San Jose	3.2	2.6	3.4	--
Southern California:				
Bakersfield	9.9	11.4	9.0	--
Los Angeles	13.9	15.5	13.6	4.3
Orange County	8.7	--	8.7	--
San Diego	8.2	12.8	6.9	6.5
Ventura County	10.3	--	10.3	--
National Average	8.9	8.8	8.9	5.8

*Previous issue showed "Availability Rates", therefore not comparable.

HOME PRICES

Median Price of Existing Single Family Homes

1998				1999	
Jan	\$188,090	Jul	211,780	Jan	\$203,890
Feb	183,900	Aug	209,890	Feb	199,160
Mar	196,397	Sep	204,440	Mar	n.a
Apr	201,514	Oct	197,230	Apr	n.a
May	204,621	Nov	199,920	May	n.a
Jun	209,760	Dec	198,120	Jun	n.a

LEADING INDICATORS^a

		Manufacturing		Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
		Overtime Hours	Average Weekly Hours			
1997	Jan	4.8	41.6	64,780	4,644	92.9
	Feb	4.8	41.8	57,558	4,379	124.2
	Mar	5.1	42.1	58,485	3,607	94.5
	Apr	5.0	41.9	59,487	4,129	103.3
	May	5.0	41.9	60,730	4,408	108.8
	Jun	5.0	41.9	62,489	4,465	108.7
	Jul	4.9	41.9	62,447	5,061	114.1
	Aug	5.0	42.0	62,131	4,004	114.0
	Sep	4.9	41.8	62,913	4,725	118.2
	Oct	4.9	42.0	61,649	4,713	131.4
	Nov	5.0	42.2	60,006	4,181	115.4
	Dec	5.2	42.1	59,436	4,750	109.3
1998	Jan	5.2	42.2	55,988	4,649	111.8
	Feb	5.0	41.9	61,776	4,590	116.2
	Mar	4.9	41.8	56,475	4,667	118.9
	Apr	4.5	41.1	59,438	5,398	116.0
	May	4.8	41.9	58,423	4,384	119.2
	Jun	4.9	42.1	53,245	4,847	148.2
	Jul	4.7	42.1	54,620	5,217	119.8
	Aug	4.6	41.7	52,856	4,101	135.8
	Sep	4.4	41.2	49,452	3,710	123.1
	Oct	4.7	41.8	54,005	4,671	132.1
	Nov	4.6	41.7	55,778	4,441	136.3
	Dec	4.6	41.7	55,369	4,529	127.7
1999	Jan	4.8	42.3	50,121	4,866	159.2
	Feb	4.7	41.9	54,218	5,089	142.0
	Mar	4.7	41.9	n.a.	n.a.	n.a.

a/ Seasonally adjusted by the California Department of Finance.
n.a. Not available

**COINCIDENT
INDICATORS/^a**

**EMPLOYMENT,
UNEMPLOYMENT**

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1997	Jan	12,903	1,875	6.7	447
	Feb	12,966	1,886	6.5	407
	Mar	13,013	1,893	6.4	385
	Apr	13,074	1,900	6.4	398
	May	13,090	1,905	6.3	366
	Jun	13,123	1,913	6.3	381
	Jul	13,158	1,921	6.2	392
	Aug	13,176	1,925	6.2	373
	Sep	13,222	1,928	6.2	386
	Oct	13,261	1,936	6.2	378
	Nov	13,274	1,940	6.1	371
	Dec	13,337	1,949	6.1	395
1998	Jan	13,405	1,951	6.0	341
	Feb	13,425	1,956	6.0	359
	Mar	13,449	1,958	6.0	377
	Apr	13,487	1,959	5.9	367
	May	13,526	1,963	6.0	354
	Jun	13,555	1,964	5.9	356
	Jul	13,606	1,964	5.9	346
	Aug	13,648	1,965	5.9	356
	Sep	13,680	1,966	6.0	359
	Oct	13,717	1,966	5.9	325
	Nov	13,749	1,961	5.9	349
	Dec	13,783	1,960	5.9	367
1999	Jan	13,828	1,959	5.8	360
	Feb	13,834	1,953	5.6	363
	Mar	13,852	1,950	5.8	n.a.

**INCOME, WAGES,
TAXABLE SALES**

(Dollars in Millions)

Wages & Salaries from Mining, Construction & Manufacturing				Wages & Salaries from Mining, Construction & Manufacturing					
	Personal Income	Construction & Manufacturing	Taxable Sales		Personal Income	Construction & Manufacturing	Taxable Sales		
1995	Qtr I	737,678	85,168	73,137	1997	Qtr I	826,792	99,871	83,424
	Qtr II	752,820	86,492	75,106		Qtr II	836,688	101,755	85,171
	Qtr III	760,687	87,799	75,873		Qtr III	849,492	103,650	85,832
	Qtr IV	765,892	88,762	76,568		Qtr IV	871,098	106,328	87,300
1996	Qtr I	786,401	93,690	79,562	1998	Qtr I	881,347	108,143	87,937
	Qtr II	791,576	90,948	80,350		Qtr II	892,438	110,432	90,068
	Qtr III	795,922	90,009	80,237		Qtr III	906,171	111,390	90,429
	Qtr IV	818,180	95,666	80,805		Qtr IV	929,007	114,727	91,083

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

**OTHER
INDICATORS**

DOD Prime Contracts a/					Foreign Trade through California Ports				
	Dollars in Millions	Percent of U.S.		Dollars in Millions	Percent of U.S.	1997 Dollars in Millions	1998 Dollars in Millions		
1981-82	22,685	21.8	1990-91	24,265	19.5	Jan	23,778	Jan	24,636
1982-83	26,387	22.2	1991-92	23,843	21.2	Feb	23,236	Feb	23,778
1983-84	28,520	23.0	1992-93	22,952	20.1	Mar	25,825	Mar	26,921
1984-85	29,115	20.8	1993-94	22,573	20.5	Apr	25,526	Apr	25,220
1985-86	27,738	20.4	1994-95	18,277	16.8	May	25,217	May	24,566
1986-87	24,515	18.4	1995-96	18,230	16.7	Jun	26,589	Jun	26,028
1987-88	23,458	18.7	1996-97	18,477	17.3	Jul	27,673	Jul	25,158
1988-89	23,125	19.3	1997-98	17,401	15.9	Aug	26,975	Aug	25,358
1989-90	22,312	18.4				Sep	27,746	Sep	25,710
						Oct	29,335	Oct	27,217
						Nov	26,498	Nov	26,044
						Dec	27,427	Dec	25,610

a/ U.S. fiscal year: October through September

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

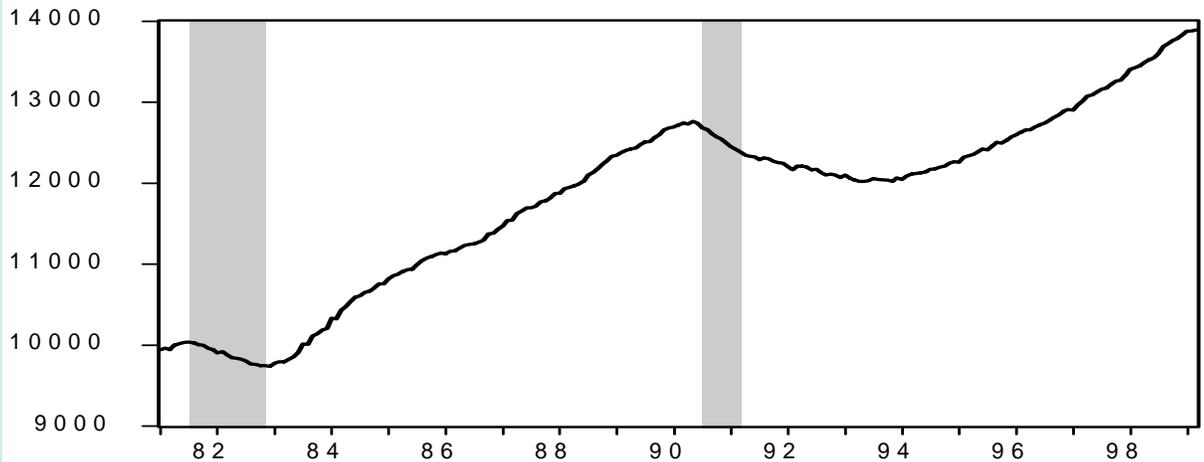
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

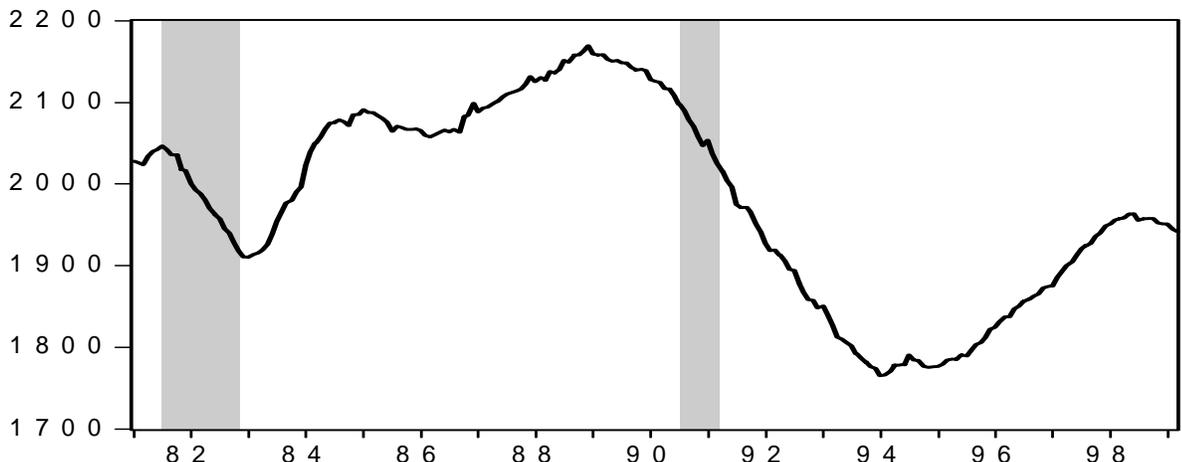
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

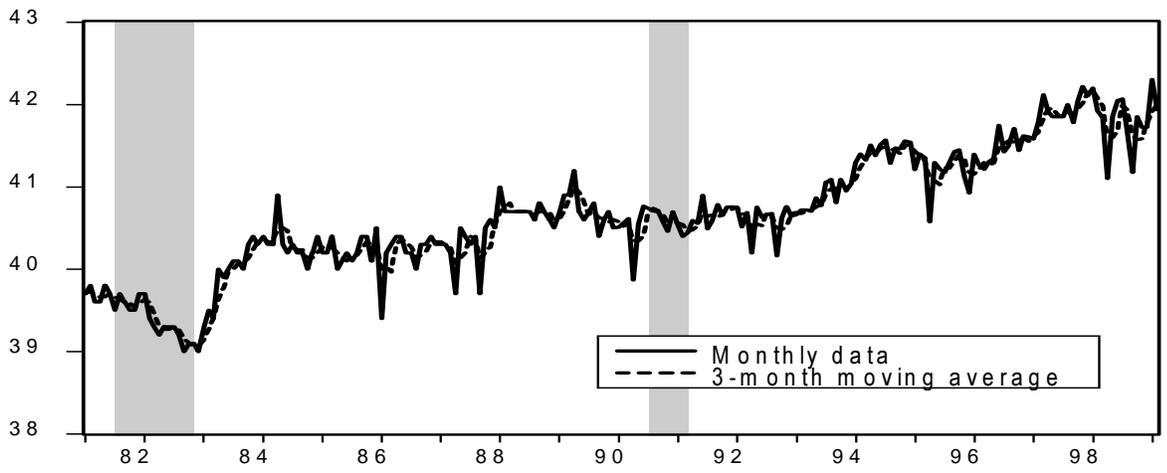
**NONAGRICULTURAL
EMPLOYMENT**
(THOUSANDS,
SEASONALLY ADJUSTED)



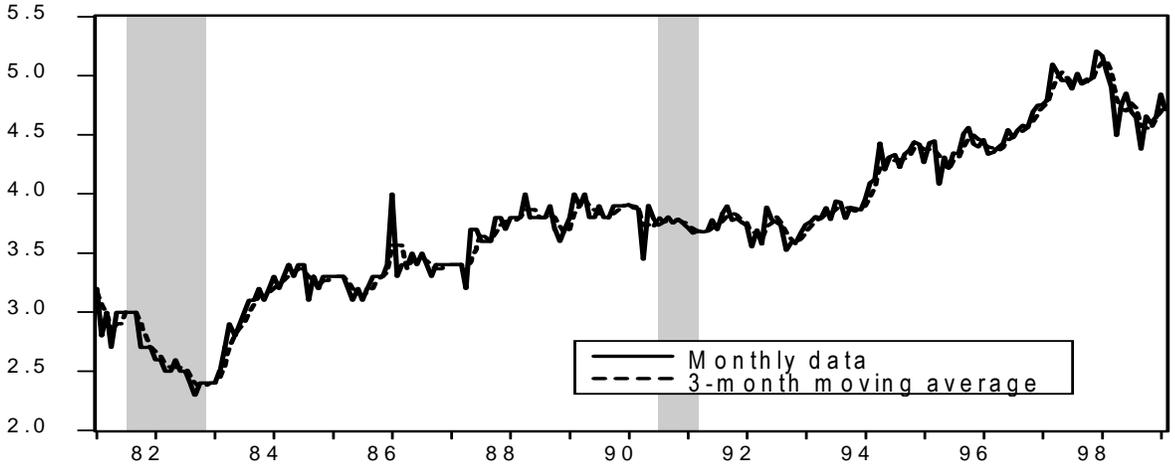
**MANUFACTURING
EMPLOYMENT**
(THOUSANDS,
SEASONALLY ADJUSTED)



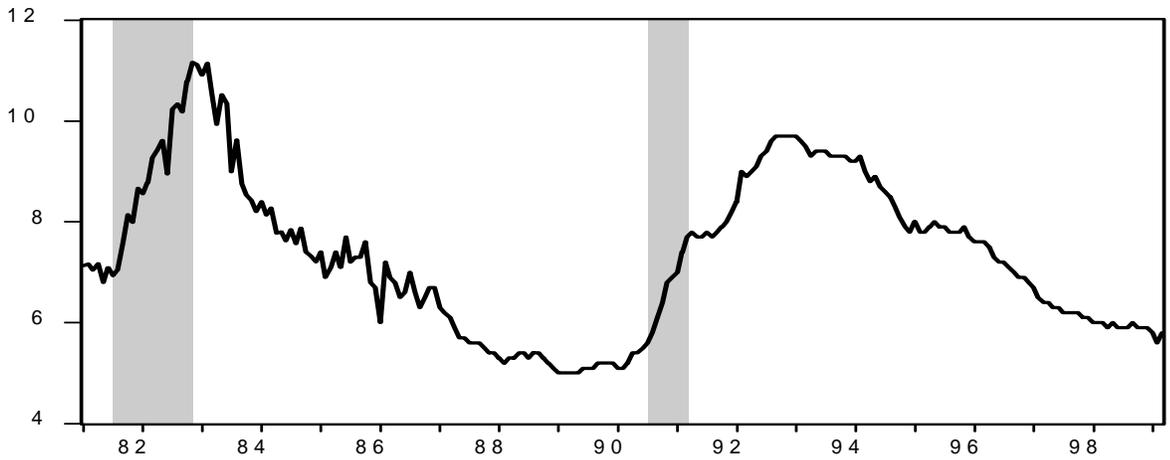
AVERAGE WEEKLY HOURS, MANUFACTURING (SEASONALLY ADJUSTED)



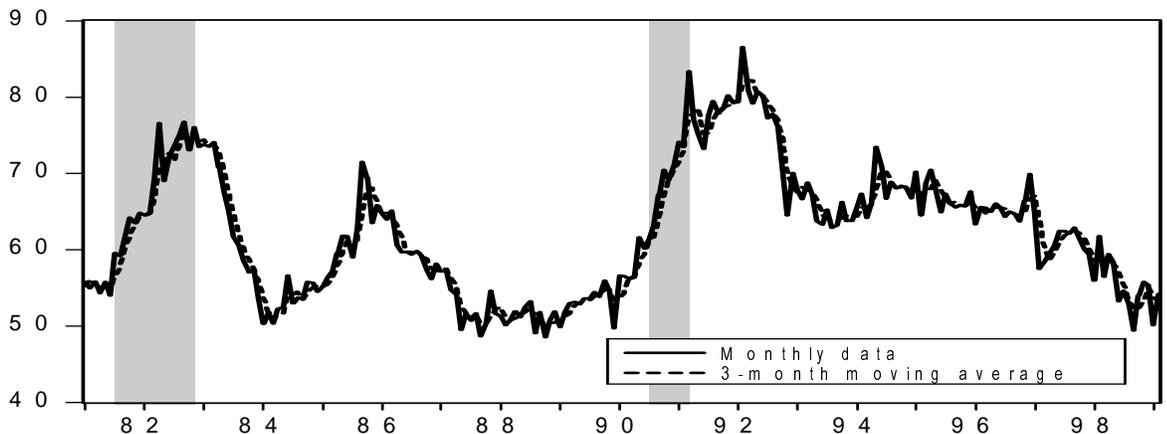
AVERAGE OVERTIME HOURS, MANUFACTURING (SEASONALLY ADJUSTED)



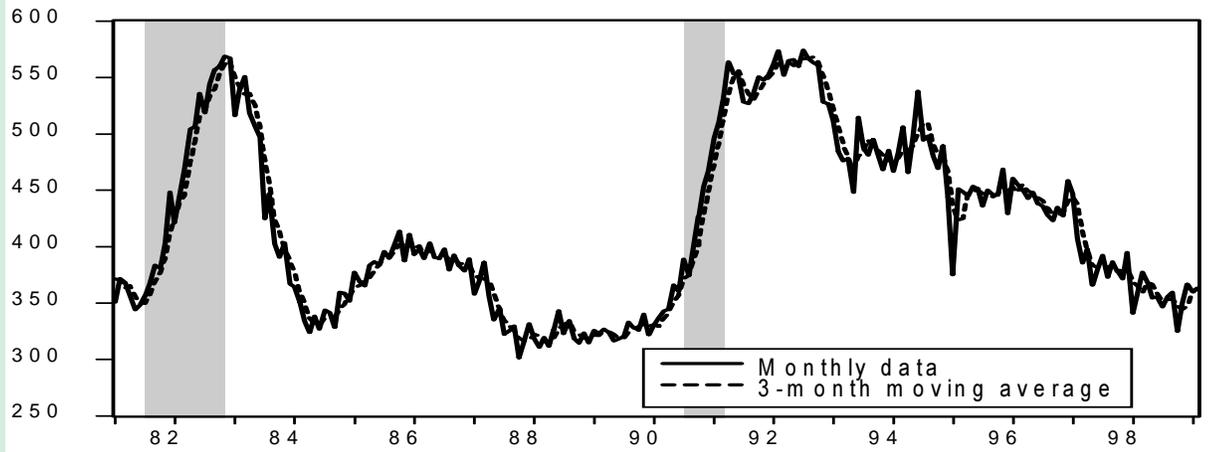
UNEMPLOYMENT RATE (PERCENT)



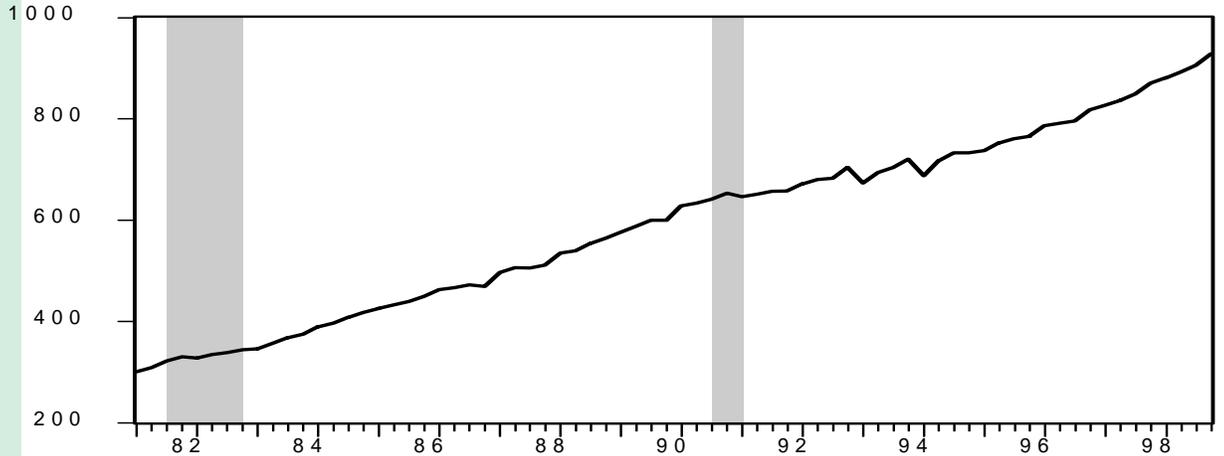
INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE (WEEKLY AVERAGE IN THOUSANDS, SEASONALLY ADJUSTED)



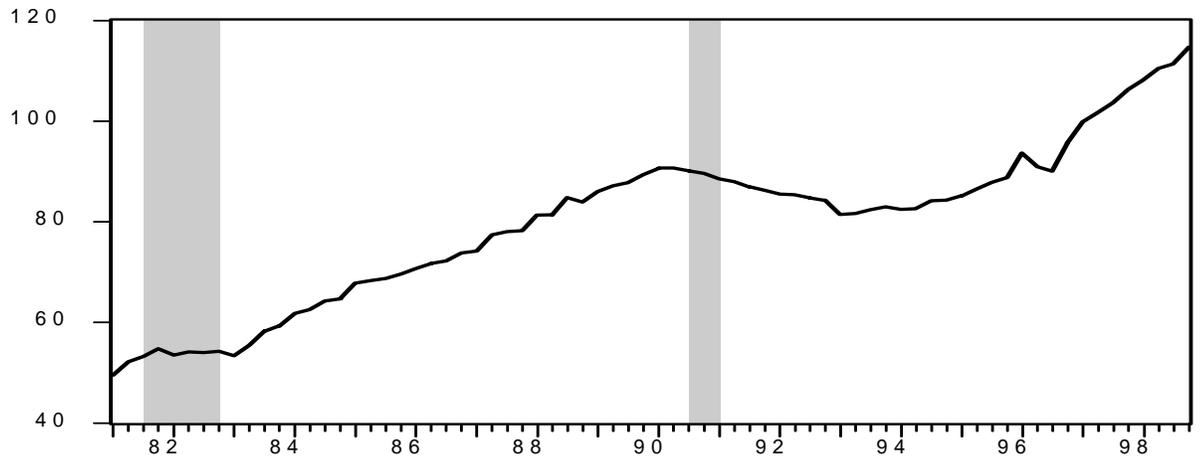
**INSURED
UNEMPLOYMENT,
AVERAGE WEEKS
CLAIMED**
(THOUSANDS, SEASONALLY
ADJUSTED)



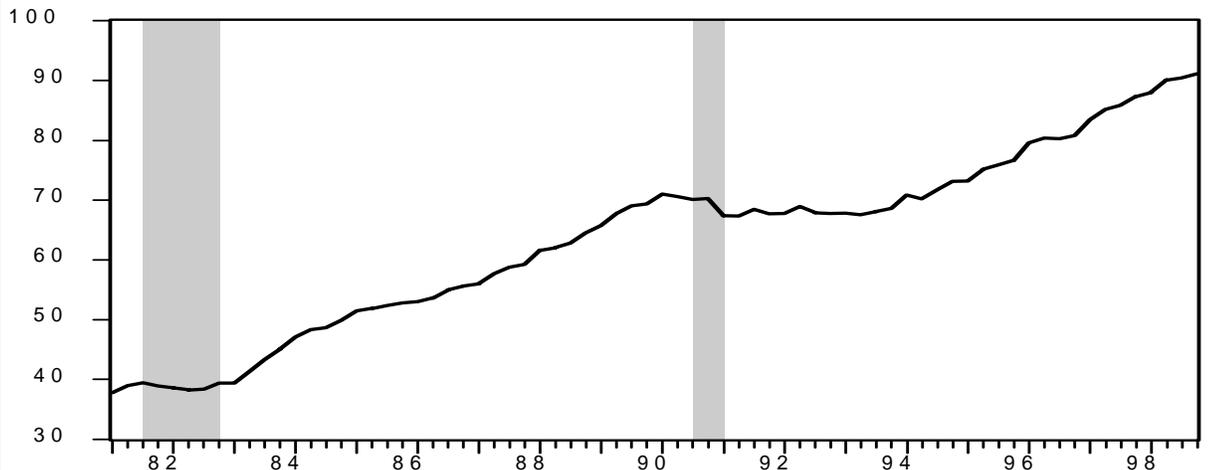
**PERSONAL
INCOME**
(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)



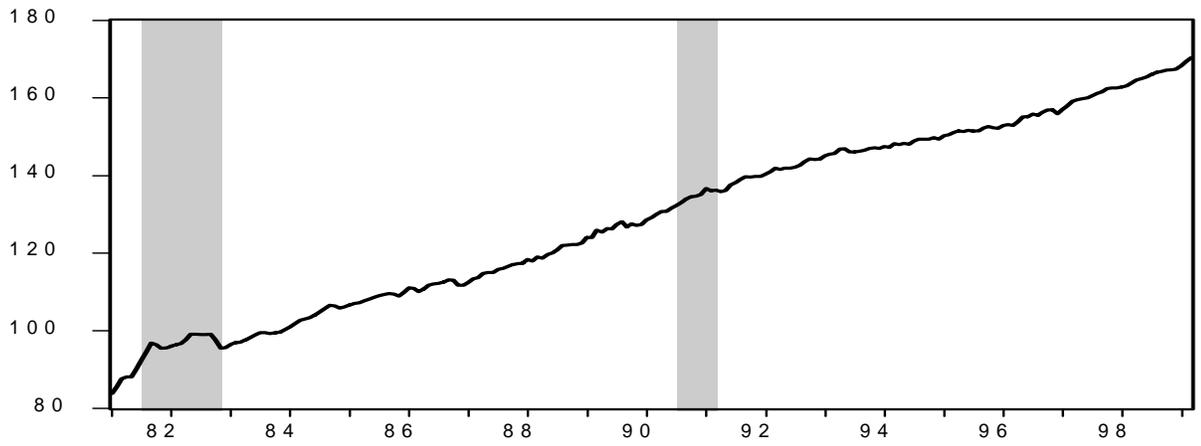
**WAGES AND
SALARIES IN MINING,
CONSTRUCTION AND
MANUFACTURING**
(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)



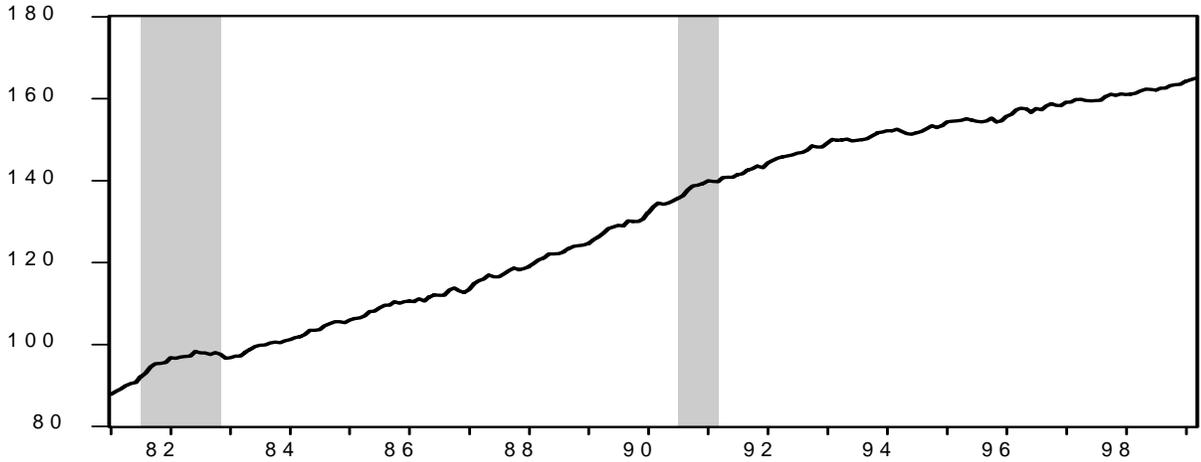
TAXABLE SALES
(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)



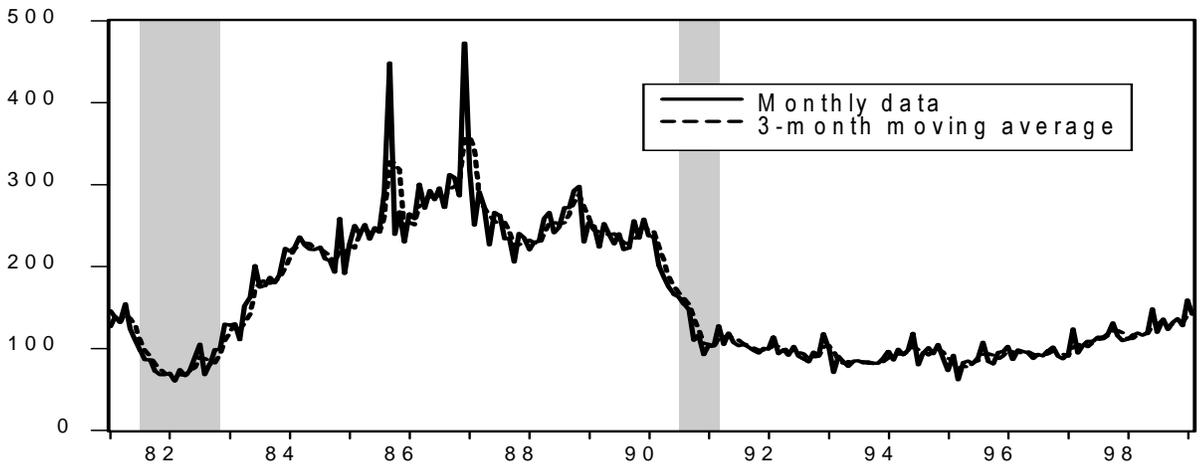
**CONSUMER PRICE INDEX,
SAN FRANCISCO
(1982-84=100)**



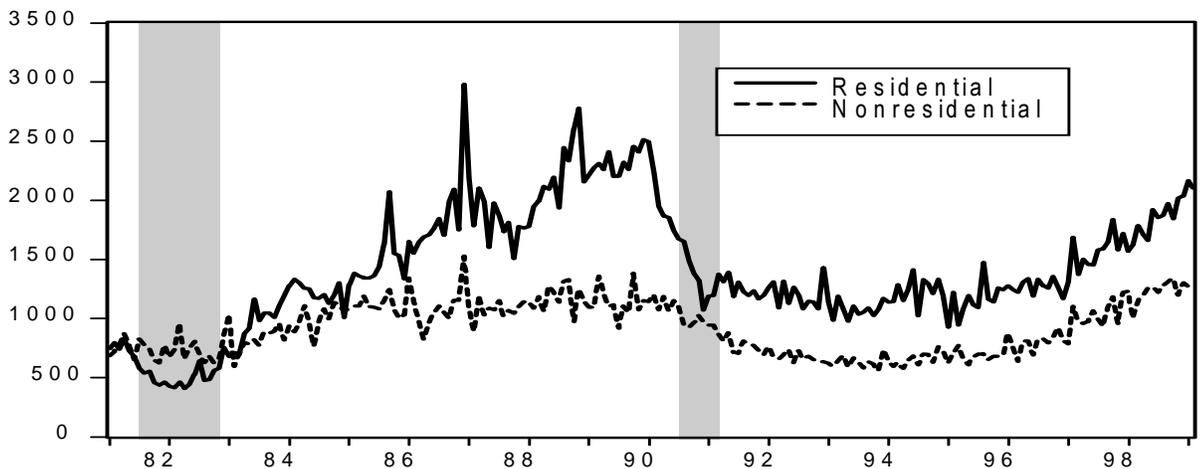
**CONSUMER PRICE INDEX,
LOS ANGELES
(1982-84=100)**



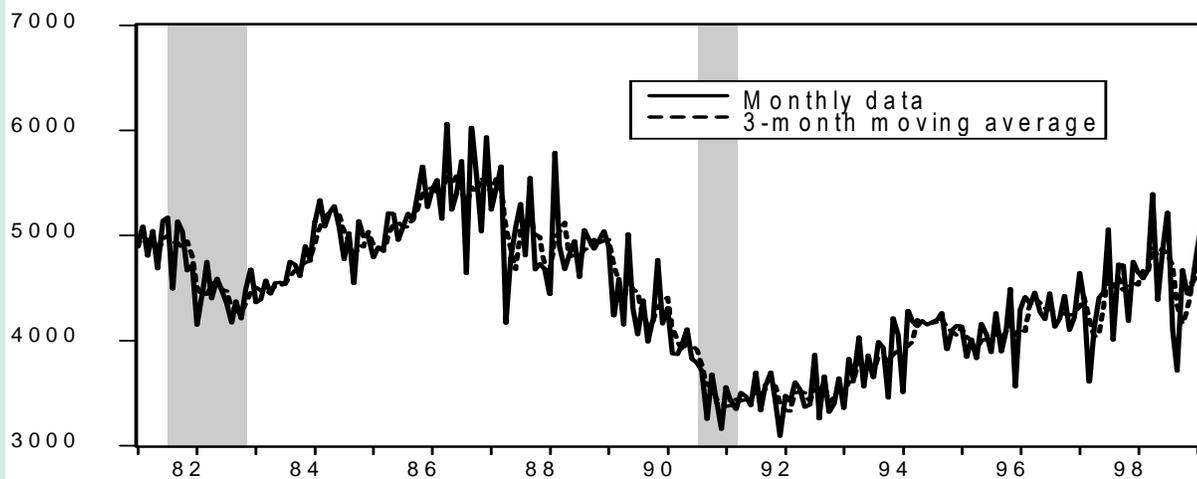
**PRIVATE HOUSING
UNITS AUTHORIZED
(THOUSANDS, SEASONALLY
ADJUSTED AT ANNUAL RATE)**



**RESIDENTIAL
AND
NONRESIDENTIAL
BUILDING PERMIT
VALUATION
(DOLLARS IN MILLIONS,
SEASONALLY ADJUSTED)**



**NEW BUSINESS
INCORPORATIONS**
(SEASONALLY ADJUSTED)



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

1998

- January 5** Bond prices surged sending the 30-year Treasury to a record low yield of 5.73 percent, while comparable government-bond yields reached their lowest levels since the 1960s.
- February 2** Standard and Poor's stock index passed the 1000 milestone for the first time.
- February 27** Fourth quarter 1997 GDP growth rate revised to 3.9 percent, down from an initial estimate of 4.3 percent.
- March 1** California's minimum wage raised from \$5.15 to \$5.75.
- Winter** El Nino-fueled storms caused widespread flooding and landslides in California. Thirty-five counties declared federal disaster areas. The State's agriculture industry estimates a flood-related loss of \$57.4 million so far.
- March 19** The U.S. trade deficit for January widened to its worst level in six years.
- March 20** Boeing plans to reduce approximately 6,200 jobs in California by the year 2000.
- March 24** Xerox Corp. plans to cut 10,000 jobs worldwide or 11 percent of its workforce.
- March 30** OPEC agreed to cut crude-oil production by 1.25 million barrels a day.
- April 6** Dow Jones Industrial average topped the 9000 mark.
- April 8** Tornadoes swept the South causing death and significant property damage.
- April 13** NationsBank formally announced its merger with BankAmerica while BancOne confirmed its planned combination with First Chicago.
- April 14** Intel announced that it will eliminate up to 3,000 jobs over the next six months.
- April 22** National Semiconductor plans to cut its worldwide workforce by 10 percent, or about 1,400 people.
- May 6** Compaq plans to eliminate 15,000 jobs following its purchase of Digital Equipment
- June 4** Motorola plans to layoff 10 percent of its workforce, or about 15,000 workers.
- June 5-July 28** United Auto Workers strike at General Motors.
- June 8** Wells Fargo & Co. and Norwest agreed to merge.
- June 12** California's unemployment rate fell in May to its lowest level in nearly 8 years.
- June 18** Texas Instruments plans to eliminate 3,500 jobs worldwide, about 8 percent of its payroll.
- June 24** OPEC agreed to cut crude-oil production by 1.4 million barrels per day. June 25 Rockwell International Corporation will cut 9 percent of its workforce, or 3,800 jobs.
- June 26** El Niño damage to California's agricultural industry soars to \$422 million. Lockheed announced its plan to lay off 2,500 workers at Sunnyvale, California.
- June** Japan officially declares a recession.

June 29	Chinese and U.S. companies signed \$1.1 billion in new business deals, including China's agreement of intent to purchase 27 Boeing Co. jetliners.
July 10	IMF agreed to provide Russia with an assistance package worth \$14 billion.
July 16	Lockheed Martin called off its proposed merger with Northrop Grumman. The Nasdaq composite edged over 2,000 for the first time.
August 13	Boeing to transfer selected 737 assembly processes to Long Beach, California.
August 14	California agriculture flourished in 1997, breaking records in both production and income NationsBank and BankAmerica merger gets federal approval.
August 17	Golden State Bancorp and California Federal Bank agreed to merge.
August 31	The Dow Jones Industrial average fell 512.61 points wiping out what remained of the year's gains. The Nasdaq Composite fell 140.43, its worst point drop ever.
September 2	Northwest Airlines issued layoff notices to 27,500 employees, or 55 percent of its workforce.
September 15	Rockwell International Corp. to eliminate around 900 jobs.
September 17	Citigroup expects to eliminate about 8,000 jobs by year end, or 5 percent of its workforce.
September 21	Russia devalues currency and restricts international transactions including debt repayments. Financial firms have lost more than \$8 billion so far in the fallout from Russia's financial collapse.
September 29	Federal funds rate reduced from 5.50 percent to 5.25 percent. Dow Jones Industrial average fell 237.90 points the next day.
October 2	California's credit rating was upgraded by Moody's Investors Service Hewlett-Packard Co. will eliminate 2,500 jobs or 2 percent of its workforce.
October 6	Washington Mutual Inc. will close 161 branches in California as a result of its Home Savings of America acquisition.
October 7	Raytheon Co. to cut workforce by 14,000.
October 8	Packard Bell NEC to cut U.S. workforce by 20 percent.
October 12	Merrill Lynch will cut work force by 3,400 or 5 percent.
October 15	Federal funds rate reduced from 5.25 to 5.00 percent. Discount rate reduced from 5.00 to 4.75 percent. The Dow Jones Industrial average rose to more than 330 points and led to rallies in European, Asian and Latin American stock markets. Canada and Argentina followed with rate cuts of their own.
October 30	Third quarter GDP jumped to an annual rate of 3.3 percent exceeding estimates.
November 12	Brazil reached a pact with leading countries and lenders on a \$42 billion rescue package, in a move aimed at preventing the financial crisis from spreading throughout South America.
November 17	Federal funds rate reduced from 5.00 to 4.75 percent. Discount rate reduced from 4.75 to 4.50 percent.
December 1	Exxon and Mobil confirmed their plans to merge, creating the world's largest oil producer.
December 2	NEC Electronics lays off about 400 workers or 13 percent of its U.S. workforce.
December 9	MCI WorldCom Inc. plans to layoff about 3,750 or between 3 to 5 percent of its workforce. Trans World Airlines announced its biggest plane order ever, confirming it has placed orders and options for up to 250 Airbus and Boeing jets.

1999

January 1	A new reserve currency, the "euro" is introduced, creating a single market in Europe. It will be the currency of reference for the 11 countries participating in the European Monetary Union.
January 13	Brazil devalues its currency sending U.S. stocks into a free fall.
January 21	The 1998 trade deficit hit an all-time high of \$175 billion, 58 percent more than the shortfall recorded in 1997.
March 22	OPEC agreed to reduce crude oil production by 2.1 million barrels per day and maintain lower levels of output for a full year.
March 29	Dow Jones Industrial average topped the 10,000 mark.
April 9	The European Central Bank cut its key discount rate, for the first time, from 3.0 to 2.5 percent.

RETURN ADDRESS

CALIFORNIA
DEPARTMENT
OF FINANCE

915 - L STREET
EIGHTH FLOOR
SACRAMENTO, CA
95814

TO

SUBSCRIPTIONS

BEGINNING ISSUE	AMOUNT DUE
JAN/FEB	\$8.00
MAR/APR	6.75
MAY/JUNE	5.40
JULY/AUG	4.05
SEPT/OCT	2.70
NOV/DEC	1.35

MAIL SUBSCRIPTION REQUEST
AND PREPAYMENT
(NO BILLING AVAILABLE) TO:
CA DEPARTMENT OF FINANCE
P.O. Box 151
SACRAMENTO, CA 95801

INTERNET AVAILABLE

YOU CAN OBTAIN THE
CALIFORNIA ECONOMIC
INDICATORS,
AND OTHER
DEPARTMENT OF
FINANCE PUBLICATIONS
ON THE INTERNET AT
WWW.DOF.CA.GOV

